

**PX 249**

Message

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**From:** Chris Larsen [REDACTED@ripple.com]  
**Sent:** 10/30/2014 2:39:24 PM  
**To:** Patrick Griffin [Patrick Griffin [REDACTED@ripple.com>]  
**Subject:** Fwd: Term sheet for discussion  
**Attachments:** LTRF Termsheet.docx

Chris

Chris Larsen | CEO  
Ripple Labs, Inc.  
[REDACTED@ripple.com] | [ripple.com](http://ripple.com)

Begin forwarded message:

**From:** Phil Rapoport [REDACTED@ripple.com>  
**Date:** October 30, 2014 at 1:28:39 PM PDT  
**To:** Chris Larsen [REDACTED@ripple.com> [REDACTED@ripple.com>  
**Subject:** Fwd: Term sheet for discussion

Initial draft of the termsheet (for discussion) from [REDACTED] for setting up the XRP Investment Vehicle.

----- Forwarded message -----  
**From:** [REDACTED@ripple.com>  
**Date:** Wed, Oct 29, 2014 at 2:49 AM  
**Subject:** Term sheet for discussion  
**To:** [REDACTED@ripple.com

Hi Phil

I got it done!

These are just thoughts, and I am available anytime to go over these details to ensure you feel it is a win win for RippleLabs and us.

A third party managed marketing and sales program is better for RippleLabs in the long run. The core competence of RippleLabs is not managing XRP prices and finding investors. We can do it and we are already the largest believer in XRP.

Please let me know when it is convenience to discuss. I am around all week. I am having breakfast with Arthur and lunch with Susan to understand Ripple better.

Best



p.s.

this term sheet is incomplete and only for discussion only.



### The Long Term Ripple Fund Term Sheet

<b>Entity</b>	<ul style="list-style-type: none"> <li>The Long Term Ripple Fund “LTRF” will be managed by yet-to-be-formed Ripple Financials LLC (“The Manager”). Detailed legal structures to be determined by lawyers.</li> <li>The Ripple Stabilization Fund will also be managed by yet-to-be-formed Ripple Financials LLC.</li> </ul>
<b>Goal</b>	<ul style="list-style-type: none"> <li>Promote long-term institutional ownership of XRP</li> <li>Consolidate annual OTC XRP sales from RippleLabs</li> <li>Consolidate future sales of XRP at least in the near 3-5 years</li> <li>Improve liquidity and derivatives of XRP</li> <li>Explore other financial operations for the long term benefits of XRP</li> <li>Achieve best average price for the total amount of XRP RippleLabs intend to sell ( this is what matters to RippleLabs).</li> <li>Achieve best institutional distribution of XRP for long term investors</li> <li>Provide large bid/ask market making for XRP</li> </ul>
<b>Indicative Terms (* negotiable with every buyer, if PBOC of China buyers, no terms!*)</b>	<ul style="list-style-type: none"> <li>The LTRF will be organized initially for the purpose of executing over-the-counter sales and distribution of the XRP.</li> <li>LTRF will be the only vehicle through which Ripple Labs will execute its OTC sales of its reserve of XRP currency, for a period of ten years.</li> <li>For each purchase transaction, the XRP currency purchased will be locked up under LTRF for a minimum period of three years. There will be more discounts for larger purchases.</li> <li>Purchasers will pay 1% management fee annually to LTRF for storage, accounting, NAV Pricing, and safekeeping. Ripple Labs will work with the LTRF to develop safekeeping methods</li> <li><b>After the three year period, purchasers may sell XRP currency in open market but only through LTRF. The LTRF has the right to combine all sales of all holders in the Fund and will not exceed 10% of daily volume. There is a first-in and first-out sequencing for sales orders. There is also a cooling-off period where if XRP is down more than 10% for two days, the LTRF will stop sales for a week.</b></li> <li><b>The LTRF will also build a backlog of institutional buyers and will attempt block trades off the exchange in order to minimize market impact</b></li> </ul>
<b>The Advisory Board</b>	<ul style="list-style-type: none"> <li>The Advisory Committee will consist of the three (4) members. Two from RippleLabs and two from the Manager.</li> <li>The Advisory Committee, through unanimous consent of all its members only, will have the sole authority, rights, power, and duties to conduct business, approve sales, etc. on behalf of LTRF.</li> </ul>
<b>Distributions</b>	<ul style="list-style-type: none"> <li>RippleLabs provides annual guidance for overall sales amount</li> <li>LTRF LLC will market to institutional investors and high net worth</li> </ul>



	<p>individuals</p> <ul style="list-style-type: none"> <li>Each sales over \$1mm will be approved by RippleLabs.</li> </ul>
<b>Marketing Assistance</b>	<ul style="list-style-type: none"> <li>Ripple Labs commits to make available its management team available at least once a month to meet with institutional investors introduced by LTRF LLC.</li> <li>LTRF LLC will make initial presentation to all institutional investors using standard marketing materials prepared by LTRF LLC ( <b>it is ready</b> ) and approved by Ripple Labs.</li> <li>For investors introduced by LTRF LLC and not by RippleLabs, RippleLabs will pay 1% marketing fee if RippleLabs chooses such investor. If RippleLabs rejects such investor, there is no fee. LTRF LLC intends to find sovereign funds and large institutional investors in order to promote stability and liquidity of the currency XRP.</li> </ul>
<b>Management Incentive Earnings</b>	<ul style="list-style-type: none"> <li>Initial incentives: If LTRF can market average sales of XRP at less than 5% discount to the last trade at the time of sales, RippleLabs will award LTRF 1% incentive fee RETROACTIVELY for the whole year.</li> <li>Performance Incentive: If LTRF manages to market XRP at a premium to both 10 day average of XRP and 30 day average of XRP and 180 day average of XRP, RippleLabs will share 50% of the premium over the highest of three prices as incentives to the Manager.</li> <li>LTRF will be incentivized to make marketing effort to sell XRP at a premium to last trade, rather than a discount</li> </ul>
<b>Capital Commitment and Contribution</b>	<ul style="list-style-type: none"> <li>Once structure is approved by Ripple Labs, [REDACTED] will spend up to [REDACTED] sd in setting up structure.</li> <li>Ripple Labs will match [REDACTED] with [REDACTED] in XRP ( based upon receipts provided to Ripple Labs). The terms of XRP will be determined by the signing of this definitive termsheet.</li> <li>The total budget here is [REDACTED] sd.</li> <li>Anything above this budget, both parties will discuss in good faith. The Manager is entitled to raise outside capital to fund further setup costs and operating losses in earlier years. RippleLabs has the right to determine who can invest in the Manager.</li> </ul>
<b>Technical Assistance in Storage</b>	<ul style="list-style-type: none"> <li>Annual accounting, legal, tax and other services provided by 3<sup>rd</sup> parties will be paid for by LTRF LLC.</li> <li>RippleLabs will provide technical assistance to store the XRP and develop wallets for institutions to hold XRP and provide NAV pricing.</li> </ul>
<b>Exclusivity and</b>	<ul style="list-style-type: none"> <li>To compensate LTRF LLC to structure, promote the Fund,</li> </ul>

<b>Minimal Amount</b>	<p>RippleLabs will award a ten-year exclusive sales rights for OTC sales to LTRF LLC.</p> <ul style="list-style-type: none"> <li>• RippleLabs will give LTRF LLC a minimal amount of [REDACTED] per annum for sales.</li> <li>• RippleLabs, however, can conduct open market operations to sell XRP in the market not to exceed 5% of daily volume with a minimum price of \$0.005 USD/XRP.</li> </ul>
<b>Marketing Making and Stabilization Fund</b>	<ul style="list-style-type: none"> <li>○</li> <li>• For each sales, RippleLabs will pay LTRF [REDACTED] commission in cash.</li> <li>• LTRF, when profitable will start funding Ripple Stabilization Fund.</li> <li>• LTRF, will use such cash for market making purposes and can only use such cash to provide liquidity at prices agreed to by Advisory Board.</li> <li>• LTRF, after buying XRP with the Stabilization Fund, can sell such XRP only at [REDACTED] higher prices vs costs. The volume restriction is [REDACTED] of daily volume. Any profits will be recycled into the Stabilization Fund.</li> <li>• The RippleLabs can, at anytime, take over the operations of the Ripple Stabilization Fund.</li> </ul>
<b>Confidentiality and Good Faith, Exclusive Negotiation for 90 days</b>	<ul style="list-style-type: none"> <li>○</li> <li>• RippleLabs will keep this term sheet confidential [REDACTED]</li> <li>• RippleLabs will conduct good faith negotiation with [REDACTED] to maximize long term benefits to XRP price and liquidity</li> <li>• RippleLabs will not negotiate with a competing party for 90 days while conducting good faith negotiation with [REDACTED]</li> </ul>